



***Program Compliance Office
California Student Opportunity & Access Program
Review Report***

2001-02 Award Year

**North Valley Consortium
Program Review ID#60300200012**

**2088 N. Beale Road
Marysville, CA 95901**

Program Review Date:	9/15/2003 through 9/18/2003
Auditor:	Melanie Wong (916) 526-8207
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AUDITOR'S REPORT

SUMMARY We reviewed North Valley Consortium's administration of California Student Aid Commission (Commission) California Student Opportunity & Access Program (Cal-SOAP) for the 2001-02 award year.

The consortium's records disclosed the following:

- Written Cal-SOAP procedures not developed
- Cal-SOAP travel reimbursements exceeded the State contract allowances
- Actual in-kind match amounts were not supported by documentation
- All equipment not identified as Property of State of California
- Reimbursement requests not submitted at least quarterly

BACKGROUND Through consortium compliance reviews, the administration of the Cal-SOAP program is evaluated to ensure program integrity with applicable laws, policies, contracts and consortium agreements.

The following information, obtained from the consortium and Commission database, is provided as background on the consortium:

A. Consortium

- Type of Organization: Private, Non-profit
- Project Director: Yvette Santana-Soto
- Board Chairperson: Ray Paiz (Migrant Education)
- Fiscal Agent: Yuba College
- Membership: Biggs Unified School District
Butte College
Chico Unified School District
Colusa County Workforce Investment Act
Colusa Unified School District
Corning Union High School District
CSU, Chico
CSU, Sacramento
Durham Unified School District
East Nicolaus Joint Union High District
Gridley Unified School District
Hamilton Elementary School District
Hamilton Union High School District
Live Oak Unified School District
Los Molinos Unified School District
Marysville Joint Unified School District
Maxwell Unified School District
Migrant Education
Orland Joint Unified School District
Oroville City Elementary School District
Oroville Union High School District
Palermo Union School District
Pierce Joint Unified School District

AUDITOR'S REPORT (continued)

BACKGROUND (continued)

Red Bluff Joint Union High School District
Shasta College
Sutter Union High School District
Thermalito Union Elementary School
District
Wheatland Union High School District
Williams Unified School District
Willows Unified School District
Yuba City Unified School District
Yuba College

B. Consortium Persons Contacted

- | | |
|-----------------------|-------------------|
| • Yvette Santana-Soto | Project Director |
| • Ray Paiz | Board Chairperson |
| • Divinder Bains | Fiscal Agent |

C. Project Information

- | | |
|--|---|
| • Date of Prior Commission
Program Review: | None |
| • Satellites: | Butte, Chico, Colusa, Sutter and Yuba |
| • Cal-SOAP Programs: | Transfer Making It Happen
I'm going to College
College Making It Happen
Cal-SOAP Career Fair
Summer Programs
College Campus Visits
Financial Aid Workshops
College Preparation Services
College Application Workshop
Writing Workshops
Technology Workshops
Mentoring/Tutoring Services
Test Taking Workshops (ACT & SAT) |
| • Size of Student population
in the service area: | 20,000 |
| • Number of Students Served
General: | 20,000 |
| Intensive: | 1,500 |

AUDITOR'S REPORT (continued)

OBJECTIVES, SCOPE AND METHODOLOGY

The purpose of our review is to provide the Commission with assurance that the consortium adequately administered the Cal-SOAP program and that they are in compliance with applicable laws, policies, contracts and consortium agreements.

The review focused on, but was not limited to, the following areas:

- A. General Eligibility
- B. Program Eligibility
- C. Fiscal Accountability
- D. Observations and Recommendations

The specific objectives of the review determined that:

- Administration systems have adequate controls to ensure that Cal-SOAP funds received by the consortium are secure.
- Administration systems have adequate controls to ensure that Cal-SOAP payments are accurate, legal and proper.
- Accounting requirements are being followed.

The procedures performed in conducting this review included:

- Evaluating the current administrative procedures through interviews and reviews of records, forms and procedures.
- Evaluating the current payment procedures through interviews and reviews of records, forms and procedures.
- Reviewing records and payment transactions from a sample of Cal-SOAP student tutors within the review period.
- Reviewing records and payment transactions from a sample of Cal-SOAP expenditures within the review period.

The review scope was limited to planning and performing procedures to obtain reasonable assurance that Cal-SOAP funds were administered according to the applicable laws, policies, contracts and consortium agreements. Accordingly, transactions were examined on a test basis to determine whether Cal-SOAP funds were expended in an eligible manner. The auditor considered the consortium's management controls only to the extent necessary to plan the review.

This report is written using the exception-reporting format, which excludes the positive aspects of the consortium's administration of the Cal-SOAP program.

AUDITOR'S REPORT (continued)

CONCLUSION	In conclusion, except for the issues described in the Findings and Required Actions section of this report, the consortium administrated the Commission Cal-SOAP program in accordance with the applicable laws, policies, contracts and consortium agreements as they pertain to the Commissions Cal-SOAP program.
VIEWS OF RESPONSIBLE OFFICIALS	The review was discussed with agency representatives in an exit conference held on September 18, 2003.

September 18, 2003

Charles Wood, Manager
Program Compliance Office

FINDINGS AND REQUIRED ACTIONS

A. GENERAL ELIGIBILITY:

FINDING: Written Cal-SOAP Procedures Not Developed

There were no written procedures available at the Consortium to govern the administration of the Cal-SOAP program.

DISCUSSION:

In order to measure performance of the Consortium, it is necessary to analyze the adequacy and enforcement of established internal controls (procedures) for safeguarding the operational and fiscal integrity of the Cal-SOAP program. A compliance review includes evaluating the Consortium's controls and written policies. According to the Project Director, there are no written procedures available to govern the administration of the Cal-SOAP program.

REFERENCES:

Cal-SOAP Program Operations Handbook, 10/01, Section 6, pages 7 to 13

REQUIRED ACTION:

The North Valley Consortium must develop written policies and procedures in order to safeguard the operational and fiscal integrity of the Cal-SOAP program. Please provide in your response the plan of action that the North Valley Consortium will take to correct the above-mentioned deficiency.

INSTITUTION RESPONSE:

The North Valley Consortium has already begun to develop written policies and procedures in order to safeguard the operational and fiscal integrity of the Cal-SOAP program. We have a Table of Contents, as well. It is expected that a policies and procedures handbook will be completed by June 30, 2004.

AUDITOR REPLY:

The consortium's action is deemed acceptable and no further action is required.

FINDINGS AND REQUIRED ACTIONS (continued)

C. FISCAL ACCOUNTABILITY:

FINDING #1: Cal-SOAP Travel Reimbursements Exceed the State Contract Allowances

A review of travel reimbursement policies and claims revealed that Cal-SOAP mileage travel was being reimbursed at rates higher than the allowances detailed in the Cal-SOAP Agreement and lunches were being reimbursed for travel of less than 24 hours.

DISCUSSION:

According to the Cal-SOAP Agreement, travel shall be reimbursed in accordance with attachment 5 - Travel and Per Diem Schedule. The Travel and Per Diem Schedule rates were as follows for each 24 hour period: lodging up to \$84.00 plus tax, with receipt; breakfast, up to \$6.00; lunch, up to \$10; dinner, up to \$18; incidentals, up to \$6.00; mileage, \$.31 per mile. For less than a 24-hour period, reimbursement may be made as follows: lodging (see above); breakfast, up to \$6.00; and dinner up to \$18.00 (**lunch is not reimbursable**).

The Consortium's satellite offices reimburse travel in accordance with each institution's Travel Reimbursement amounts (i.e. Butte College reimburses at \$.365 per mile and Yuba College at \$.345 per mile). By using the satellite institution rates, the Consortium was being reimbursed for allowances that exceed the approved mileage rates as shown in the Cal-SOAP Agreement. Any expenses exceeding these allowances are not reimbursable from Cal-SOAP funds. Additionally, it was discovered that lunches were being reimbursed for travel of less than 24 hours which is not allowable in the Cal-SOAP Agreement.

REFERENCES:

Cal-SOAP Agreement (G-01-012), Section 6.D, Page 4

Cal-SOAP Agreement (G-01-012), Attachment 5, Section b(2) and b(3)

REQUIRED ACTION:

The Consortium must submit the policies and procedures that will be implemented to ensure that reimbursement for travel will not exceed the approved State of California rates. Travel will only be reimbursed at the rates approved in the Cal-SOAP Agreement. Any excess travel expenses must be reimbursed with other funds.

INSTITUTION RESPONSE:

The North Valley Consortium has implemented policies and procedures to ensure that reimbursement for travel may not exceed the approved State of California rates and travel may only be reimbursed at the rates approved in the Cal-SOAP Agreement.

FINDINGS AND REQUIRED ACTIONS (continued)

AUDITOR REPLY:

The consortium's action is deemed acceptable and no further action is required.

C. FISCAL ACCOUNTABILITY:

FINDING #2: Actual In-Kind Match Amounts Were Not Supported by Documentation

According to discussions with the Project Director, members were not required to submit documentation to support actual in-kind match amounts.

DISCUSSION:

State law requires a matching contribution of local resources for each Cal-SOAP project at a 1:1 ratio. The goal, however, is for projects to exceed this ratio and attain a 1:1.5 ratio. Each consortium, through its Director, is expected to systematically account for the receipt and expenditure of matching funds provided by supporting institutions. The expenditure of matching funds constitutes an integral part of each project's operation and its fiscal reporting to the Commission. "In-kind" funds, which are not included in a project's expenditure budget, are to be accounted for in a reasonable manner and reported to the Commission.

Currently, supporting institutions are not fully documenting their in-kind contributions reported by the Consortium. The members did not realize in what detail they needed to provide and document actual amounts. Because actual amounts are not being reported, the Consortium does not know the actual in-kind ratio and may be receiving more than the required 1:1 ratio. We discussed in-kind match calculations with five Consortium members and, it appeared that the actual in-kind match was higher than the budgeted amounts that were reported to the Commission. The Consortium was not maximizing the matching funds of their supporting institutions (progressing to reach the 1:1.5 ratio) and not accurately reporting the amount of those matching funds to the Commission.

REFERENCES:

California Education Code 69564
Cal-SOAP Program Operations Handbook, 10/01, Section 2 pages 2-4

REQUIRED ACTION:

The Consortium must create and submit a method of **tracking** and **documenting** the actual in-kind match amounts supplied by the institutions. This match amount is subsequently reported to the Commission. If it appears reasonable, the institutions may use a time study where all in-kind

FINDINGS AND REQUIRED ACTIONS (continued)

costs are tracked for a reasonable period or periods of time and extrapolated over the year to determine their actual in-kind match for the award year.

INSTITUTION RESPONSE:

The North Valley Consortium has created a method of tracking and documenting the actual in-kind match amount supplied by the institutions. All supporting institutions will use this method of tracking and documenting **OR** submit actual budget accounting reports that documents expenditures in detail.

AUDITOR REPLY:

The consortium's action is deemed acceptable and no further action is required.

C. FISCAL ACCOUNTABILITY:

FINDING #3: All Equipment Not Identified as Property of State of California

A review of Cal-SOAP equipment revealed that not all equipment was identified as Property of State of California.

DISCUSSION:

According to the Cal-SOAP Agreement, equipment items (major and minor) purchased using state funds shall be identified with an appropriate identification tag and the brand name, cost, date of purchase, identification/serial number, etc., shall be listed on an Equipment Inventory Report. These items can include tables, chairs, photocopy machine, electric staplers, etc.

Per a discussion with the Project Director, only computer equipment and scanners had been included in the Equipment Inventory Report and identified with State of California tags.

REFERENCES:

Cal-SOAP Agreement (G-01-012), Section 7, Page 4 and 5

REQUIRED ACTION:

The Consortium must identify all property purchased with Cal-SOAP funds. In addition, this identification should include the specific funding source (state, etc.). Please request State of California identification tags from the Commission and affix these tags on the identified equipment. Also, provide a complete Equipment Inventory Report listing all the identified property.

FINDINGS AND REQUIRED ACTIONS (continued)

INSTITUTION RESPONSE:

The Consortium has identified all property purchased with Ca-SOAP funds and has requested State of California identification tags from the Commission. These tags have been affixed on the identified equipment. A complete listing of all identified property is being submitted.

AUDITOR REPLY:

The consortium's action is deemed acceptable and no further action is required.

C. FISCAL ACCOUNTABILITY:

FINDING #4: Reimbursement Requests Not Submitted at Least Quarterly

A review of the Cal-SOAP funds revealed that the reimbursement requests were not submitted to the Commission on a quarterly basis.

DISCUSSION:

The Cal-SOAP agreement states the grantee will submit Reimbursement Requests either monthly or quarterly, in arrears, unless special arrangements are approved. All Reimbursement Requests shall be prepared and submitted in accordance with authorized expenditures for actual expenses incurred.

The Consortium only submitted two reimbursement requests during the 2001-02 award year. The first request was submitted December 2001 and included the period of July 1, 2001 through December 31, 2001. The second request was submitted August 2002 and covered the periods of January 1, 2002 through June 30, 2002.

REFERENCES:

Cal-SOAP Agreement (G-01-012), Section 6.D, page 4
Cal-SOAP Operations Handbook, Section 5.2, page 3

REQUIRED ACTION:

The Fiscal Agent and the Project Director must work together to ensure the reconciliation and reporting of Cal-SOAP funds on a quarterly basis to the Commission as required in the Cal-SOAP agreement.

Additionally, the consortium must provide written procedures and internal control measures that will be implemented to ensure that the institution reconciles its records as required by the Cal-SOAP Agreement. The procedures must include time frames, staff titles, and specific areas of responsibilities as it relates to the Cal-SOAP reconciliation.

FINDINGS AND REQUIRED ACTIONS (continued)

INSTITUTION RESPONSE:

The Fiscal Agent and the Project Director will work together to ensure the reconciliation and reporting of Cal-SOAP funds on a quarterly basis to the Commission as required in the Cal-SOAP agreement. Written procedures and control measures have been implemented to ensure that the institution reconciles its records as required by the Cal-SOAP Agreement.

AUDITOR REPLY:

The consortium's action is deemed acceptable and no further action is required.